

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3402-09
Bill No.: HCS for SS for SCS for SB 968 and SCS for SB 969
Subject: Education, Elementary and Secondary; Teachers
Type: Original
Date: April 26, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$3,947,351 to Unknown)	(\$5,447,351 to Unknown)	(\$5,447,351 to Unknown)
Total Estimated Net Effect on General Revenue	(\$3,947,351 to Unknown)	(\$5,447,351 to Unknown)	(\$5,447,351 to Unknown)

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
State School Moneys*	\$0	\$0	\$0
Highway	(\$10,000)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$10,000)	\$0	\$0

*** Offsetting Transfers In and Out exceed \$3,947,351 in FY 05 and exceed \$5,447,351 in FY 06 and FY 07**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	Unknown - Expected to Exceed \$100,000	(Unknown - Up to \$1,500,000)	(Unknown - Up to \$1,500,000)

FISCAL ANALYSIS

ASSUMPTION

SECTION 162.032

Officials from the **Joint Committee on Public Employee Retirement** stated this proposal would not affect retirement plan benefits as defined in Section 105.660(5).

Officials from the **Public School Retirement System of Missouri** stated this proposal would have no fiscal impact on the Public School and Non-teacher School Employee Retirement Systems of Missouri.

In response to a similar proposal, officials from the **Kansas City Missouri School District (KCMSD)** assumed increasing the number of retirees covered by KCMSD health insurance would result in an increase in health premium for all employees. **Oversight** assumes the proposal provides for ensuring access to continuation of health insurance coverage, therefore no fiscal impact to KCMSD should result from this proposal.

SECTIONS 163.031 and 168.515

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated the proposal should not result in additional costs or savings to BAP. The proposal could result in general revenue costs of approximately \$4 million to fully fund the career ladder program.

Officials from the **Department of Elementary and Secondary Education (DESE)** stated the FY05 projected need to pay the 2003-04 Career Ladder obligations is \$39,473,501. Because the foundation formula proration is less than 1.00 and the Career Ladder payment cannot currently be paid at a higher percentage (proration) than the foundation formula, the FY05 budget request for Career Ladder is \$35,526,150. Paying 100% of the Career Ladder obligation increases the state cost \$3,947,351 above the FY05 budget request.

SECTIONS 168.104, 168.110, 168.124, and 168.126

Officials from the **Department of Elementary and Secondary Education (DESE)** assume these sections of the proposal could result in significant salary costs for local school districts; however, any impact is contingent upon the actions of the governor and the general assembly and cannot be estimated.

Section 168.124

In response to the perfected version of this proposal, officials from the **Columbia Public Schools (CPS)** assumes scenarios similar to the FY 04 funding cycle and as the district continues to reduce staff, CPS may have to reduce staff after contracts are issued. CPS assumes the fiscal impact could be in the range of \$100,000.

In response to the introduced version of this proposal, officials from the **Parkway School District** indicated this proposal could be very costly to their school district. That cost would vary depending on the number of positions, amount of withholdings, teacher pay, etc.

Officials from the **Mexico School District** and the **Saint Louis Public Schools** indicated in a previous response that the costs associated with this section of the proposal would be substantial.

Responding to an earlier proposal, officials from the **Kansas City Missouri School District** indicated payment of teachers salaries for those that could be furloughed could be significant.

Oversight assumes that if a minimum of 34 teachers were affected by this proposal, the cost would exceed \$100,000.

ASSUMPTION (continued)

Section 168.100 and 168.126

Oversight notes the language in Sections 168.100 and 168.126 is permissive and therefore does not assign a cost to school districts for those sections.

SECTIONS 168.303 and 169.712

Officials with the **Department of Elementary and Secondary Education** assume local school districts would likely see increased administrative costs. It is unknown to what extent administrative costs would increase; the increase being contingent upon the level of participation in job-sharing by classroom teachers statewide.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials with the **Public School Retirement System, Public School Retirement System of St. Louis and Kansas City Public School Retirement System** assumed no fiscal impact to their agency in the perfected version of this proposal.

Officials with the **Parkway Public Schools** indicated these sections of the proposal would have no fiscal impact on their district.

Oversight assumes the local school districts could absorb the administrative costs based on the responses received from the Public School Retirement System of St. Louis and Kansas City Public School Retirement System as well as the Public School Retirement System.

SECTION 168.500

Officials from the **Department of Economic Development - Division of Professional Registration** indicated this proposal, as written, would have no fiscal impact on their agency.

According to officials from **DESE**, to date there are 2,218 individuals with a speech pathologist assignment reported in core data for the 2003-04 school year. Of those individuals, 1,300 have a Speech Pathologist Certificate and have 5+ years of teaching experience. 219 out of the 1,300 are already participating in the Career Ladder Program, thus are ineligible for increased career ladder payments. Out of the remaining 1,081 individuals, approximately 500-600 individuals

ASSUMPTION (continued)

would have received the certificate of clinical competence and are therefore eligible to be placed on stage III of the career program under the terms of this proposal.

This legislation is unclear as to whether a district not participating in the career ladder program could participate only for the speech pathologists. The cost of this change is likely to be between \$1,250,000 and \$1,500,000.

Calculation:

500 Speech Pathologists X 50% (state match for career ladder) X \$5,000 (amt. of Stage III Career Ladder) = \$1,250,000 if all participate."

600 Speech Pathologists X 50% (state match for career ladder) X \$5,000 (amt. of Stage III Career Ladder) = \$1,500,000 if all participate.

Oversight assumes since most teaching contracts are finalized in March and April, and this proposal has no emergency clause, this proposal would not be in effect until FY 2006.

Oversight assumes that any of the Speech Pathologists with teaching certificates that have been employed by the schools for at least five years would participate in the career ladder program, if available. **Oversight** is unable to determine how many might be eligible in the future with new persons becoming eligible and others leaving the profession, but assume the amount could remain at approximately \$1,500,000 annually for the state match. School districts participating in the program would also be responsible for approximately \$1,500,000 annually for their corresponding match. **Oversight** also notes the cost could be less since the Speech Pathologists must be approved for placement at Stage III by the local school district.

SECTION 171.053

Officials from the **Department of Agriculture** indicated this proposal would not affect their agency.

Officials from **DESE** stated the fiscal impact of this section of the proposal is unknown. There is no way to estimate the number of students who may participate or in which districts they are located.

Currently districts count in their average daily attendance the time during the regular school day the students are involved in instructional activities which includes educational field trips.

ASSUMPTION (continued)

Summer school programs often include instructional field trips as part of the attendance during the summer school day. The activities authorized by the proposal may already be counted by some districts in their average daily attendance if the districts consider them instructional field trips and they are during the regular school day.

In response to a similar proposal, officials from the **Mexico School District (MSD)** assume this proposal would have very little impact on State Aid, due to the fact the very few schools are in session during the State Fair. Also, the MSD has very few absentees because of other agriculture related activities during the school year.

Officials from the **Moniteau County R-I School District**, when responding to a similar proposal, indicated this proposal would have little fiscal impact on their district.

Oversight assumes that if the Average Daily Attendance (ADA) increased by only 100 as a result of this proposal, the financial impact could be significant. Assuming 100 (Increased ADA) x 2.75 (Operating Levy) x \$1,395.07 (Guaranteed Tax Base/100) x 1.00 (Proration Factor) equals an increase in basic state aid (before deductions) of \$383,644. **Oversight** therefore assumes the fiscal impact would be expected to be in excess of \$100,000.

SECTION 302.272

Officials from the **Department of Elementary and Secondary Education (DESE)** indicated this section of the proposal would have no fiscal impact on their agency or school districts.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** stated this proposal would have no fiscal impact on their agency.

Officials from the **Department of Revenue - Motor Vehicle and Drivers License Division** stated this legislation would require 300 hours of internal programming modification to the School Bus Permit Application System. In addition, 100 hours of testing would be required to ensure the program modifications are accurate.

SECTION 1

Officials from the **Department of Elementary and Secondary Education (DESE)** stated this section of the proposal would have no fiscal impact on DESE because DESE no longer reimburses school districts for A+ coordinators.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Cost</u> - Department of Elementary and Secondary Education - Career Ladder (Section 163.031)	(\$3,947,351)	(\$3,947,351)	(\$3,957,351)
<u>Cost</u> - Elementary and Secondary Education Dept. - Career Ladder Match (Sec. 168.500)	\$0	(Up to \$1,500,000)	(Up to \$1,500,000)
<u>Cost</u> - Increased Transfers to State School Moneys Fund (Section 171.053)	(Unknown - Expected to Exceed <u>\$100,000</u>)	(Unknown - Expected to Exceed <u>\$100,000</u>)	(Unknown - Expected to Exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$3,947,351 to Unknown)</u>	<u>(\$5,447,351 to Unknown)</u>	<u>(\$5,447,351 to Unknown)</u>
STATE SCHOOL MONEYS FUND			
<u>Transfer In</u> - General Revenue (Section 163.031)	\$3,947,351	\$39,947,351	\$3,947,351
<u>Transfer In</u> - General Revenue for Career Ladder Match - Speech Pathologists (Section 168.500)	\$0	Up to \$1,500,000	Up to \$1,500,000
<u>Transfer In</u> - Transfers from General Revenue (Section 171.053)	Unknown - Expected to Exceed <u>\$100,000</u>	Unknown - Expected to Exceed <u>\$100,000</u>	Unknown - Expected to Exceed <u>\$100,000</u>
<u>Total Transfers In</u> to State School Moneys Fund	\$3,947,351 to Unknown	\$5,447,351 to Unknown	\$5,447,351 to Unknown

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>Transfer Out</u> - School Districts - Career Ladder Payments (Section 163.031)	(\$3,947,351)	(\$3,947,351)	(\$3,947,351)
<u>Transfer Out</u> - Distribution to School Districts for Career Ladder Payments to Teachers (Section 168.500)	\$0	(Up to \$1,500,000)	(Up to \$1,500,000)
<u>Transfer Out</u> - Increased Aid to School Districts (Section 171.053)	(Unknown - Expected to Exceed <u>\$100,000</u>)	(Unknown - Expected to Exceed <u>\$100,000</u>)	(Unknown - Expected to Exceed <u>\$100,000</u>)
<u>Total Transfers Out</u> to State School Moneys Fund	(\$3,947,351 to Unknown)	(\$5,447,351 to Unknown)	(\$5,447,351 to Unknown)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
HIGHWAY FUND			
<u>Cost</u> - Department of Revenue – Programming and testing (Section 302.272)	(\$10,000)	\$0	\$0
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$10,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
LOCAL SCHOOL DISTRICTS			
<u>Cost</u> - Partial payment of contracts of laid off teachers (Section 168.124)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
<u>Cost</u> - Career Ladder Payments to teachers (Sec. 163.031 & 168.515)	(\$3,947,351)	(\$3,947,351)	(\$3,947,351)
<u>Cost</u> - Career Ladder Payments to Speech Pathologists (Section 168.500)	\$0	(Up to \$1,500,000)	(Up to \$1,500,000)
<u>Cost</u> - Career Ladder Payments to Teachers - School District Match (Sec. 168.500)	<u>\$0</u>	(Up to <u>\$1,500,000</u>)	(Up to <u>\$1,500,000</u>)
<u>Total Costs</u> - School Districts	(\$3,947,351 to <u>Unknown</u>)	(\$6,937,351 to <u>Unknown</u>)	(\$6,937,351 to <u>Unknown</u>)
<u>Transfer In</u> - State School Moneys Fund - Career Ladder Payments (Sec 163.031 & 168.515)	\$3,947,351	\$3,947,351	\$3,947,351
<u>Transfer In</u> - State School Moneys Fund - State Match for Career Ladder Payments to Speech Pathologists (Section 168.500)		\$0 Up to \$1,500,000	Up to \$1,500,000
<u>Transfer In</u> - State School Moneys Fund - Increased State Aid (Section 171.053)	Unknown - Expected to Exceed \$100,000	Unknown - Expected to Exceed \$100,000	Unknown - Expected to Exceed \$100,000

<u>FISCAL IMPACT - Local Government</u> (Continued)	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>Total Transfers In - School Districts</u>	\$3,947,351 to <u>Unknown</u>	\$5,447,351 to <u>Unknown</u>	\$5,447,351 to <u>Unknown</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>Unknown -</u> <u>Expected to</u> <u>Exceed</u> <u>\$100,000</u>	<u>(Unknown - Up</u> <u>to \$1,500,000)</u>	<u>(Unknown - Up</u> <u>to \$1,500,000</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal renders alterations to several state policies regarding teachers:

SECTION 105.454 - Allows a school board member to receive a maximum of \$5,000 per year for services performed for the school district. A school board member may also receive a maximum of \$5,000 per year for any property sold, rented, or leased to any agency of the state, or to any political subdivision in which they are an officer or employee.

SECTION 162.032 - Requires successor school districts to ensure access to continuation of health care for retired teachers and employees of a district that lapses, is merged or divided, or otherwise loses its corporate structure, if the original district provided health care benefits at the time of its dissolution.

SECTIONS 163.031 and 168.515

This proposal removes the proration factor for the Career Ladder program.

SECTION 167.166 - Employees or volunteers of public schools, including charter schools, are prohibited from performing strip searches on students and may not direct students to supervise or take part in a strip search. Employees who violate this prohibition will be suspended without pay, pending an evidentiary hearing if the employee is entitled to a hearing. If an employee is not entitled to such evidentiary hearing, the employee shall be suspended pending completion of due process or further disciplinary action as provided in the district's personnel policies, as

DESCRIPTION (continued)

applicable.

Also, no employee of or volunteer or school board member of or school district administrator of a public school or charter school shall direct a student to remove a religious emblem, insignia, or garment, as long as such emblem, insignia, or garment is worn in a manner that does not promote disruptive behavior.

SECTION 168.104 - This section adds certified teachers who teach at the pre-kindergarten level to the definition of the word "teacher" in the teacher tenure act.

SECTION 168.110 - Districts may provide a salary that includes salary schedule modifications to retain teachers based upon demonstrated need for teachers certified in shortage areas. Districts may also provide such schedule modifications to retain teachers with qualities, experience, or credentials that are exceptionally well suited to a district's needs for academic improvement or to compensate teachers who undertake difficult assignments, including but not limited to teaching in a classroom that exceeds the recommended class size for that grade level according to Missouri school improvement program standards. In exchange for such modifications, teachers may be required to teach in the district offering the modification for a period of up to three school years.

SECTION 168.124 - Should a Board of Education choose to utilize the mechanism for reducing teacher forces in an attempt to manage adverse financial conditions caused by reductions in *state* education appropriations, then the district additionally shall comply with the following provision: If a school district has an unrestricted combined ending fund balance of more than 10% in its teachers' and incidental funds, and in the subsequent fiscal year such district places a contracted teacher on leave of absence after 40 days subsequent to the Governor signing the Elementary and Secondary Education appropriation bill, the district shall pay the affected teacher the greater of their salary for any days worked under the contract, or a sum equal to three thousand dollars.

SECTION 168.126 - Current law requires school districts to notify in writing a probationary teacher who will not be retained by the school district of the termination of their employment and requires school districts to provide the teacher, upon the teacher's request, a concise statement concerning the reason for such termination. This section requires the district in all cases to issue notice to the teacher expressly declaring the reason for the termination if the reason for such is due to a decrease in pupil enrollment, school district reorganization, or the financial condition of the school district.

SECTION 168.303 - Current law requires employment of at least seventeen hours per week in

DESCRIPTION (continued)

order to be considered eligible for the classroom teacher "job-sharing" program. This section seeks to alter the aforementioned requirement from a minimum of seventeen hours per week to a minimum of fifteen hours per week.

SECTION 168.500 - Currently, a policy of the Department of Elementary and Secondary Education allows teachers who have at least five years of teaching experience and who possess national board certification to automatically become eligible for Stage III of the career ladder program.

This proposal directs the Commissioner of Education to cause the department to regard a speech pathologist who holds both a valid certificate of license to teach and a Certificate of Clinical Competence to have fulfilled the standards required to be placed on Stage III of the career ladder program, provided that such speech pathologist has been employed by a public school in Missouri for at least five years and is approved for placement at such Stage III by the local school district.

SECTION 169.712 - Current law requires employment of at least seventeen hours per week in order to be considered a member of the public school retirement system and to receive creditable service on a pro rata basis in that system. This section seeks to alter the aforementioned requirement from a minimum of seventeen hours per week to a minimum of fifteen hours per week.

SECTION 171.053 - This section of the proposal asserts that any school district which allows an excused absence for athletics or any other extra-curricular activity shall allow any student to use regularly scheduled instructional time as is reasonably necessary for participation in an officially-sanctioned activity of any Future Farmers of America (FFA) Family, Career and Community Leaders of America (FCCLA), and 4-H programs.

The proposal also provides that students may participate in FFA, FCCLA, and 4-H events and Missouri State Fair competitions while having such participation count as regular school attendance for the purpose of state school aid.

SECTION 302.272 - Eliminates the annual driver history and criminal background checks for school bus operators who are over the age of 70. Background checks shall continue to be conducted on a renewing applicant's previously established three-year renewal schedule.

DESCRIPTION (continued)

SECTION 1 - A+ Coordinators

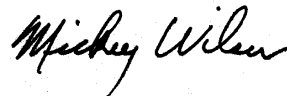
The Department of Elementary and Secondary Education shall not reimburse a school districts for more than one A+ program coordinator per one thousand two hundred fifty students; however, a school with up to one thousand five hundred students shall be reimbursed for only one A+ program.

This proposal has an emergency clause for Sections 163.031 and 168.515 of this proposed legislation with an effective date of July 1, 2004, on upon passage and approval, whichever occurs later.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Kansas City Missouri School District
Columbia Public Schools
Parkway School District
Saint Louis Public Schools
Mexico Public Schools
Joint Committee on Public Employee Retirement
Public School Retirement Systems of Missouri
Public School Retirement System of the School District of Kansas City, Missouri
Public School Retirement System of the City of Saint Louis
Department of Revenue
 Division of Motor Vehicles and Drivers Licensing
Department of Public Safety
 Missouri State Highway Patrol
Department of Economic Development
 Division of Professional Registration
Office of Administration
 Division of Budget and Planning
Department of Agriculture



Mickey Wilson, CPA
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April 26, 2004